

**POVERTY AND SOCIAL REFORM INSTITUTE, INC.  
d/b/a LEAPS AND BOUNDS FAMILY SERVICES**

**ANNUAL FINANCIAL REPORT**

**FOR THE YEARS ENDED  
SEPTEMBER 30, 2021 AND 2020**

**POVERTY AND SOCIAL REFORM INSTITUTE, INC.**  
**d/b/a LEAPS AND BOUNDS FAMILY SERVICES**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
Poverty and Social Reform Institute, Inc.  
d/b/a Leaps and Bounds Family Services  
Warren, Michigan

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Poverty and Social Reform Institute, Inc., d/b/a Leaps and Bounds Family Services (a nonprofit organization), which comprise the statements of financial position as of September 30, 2021 and 2020; the related statements of activities, functional expenses, and cash flows for the years then ended; and the related notes to the financial statements.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Poverty and Social Reform Institute, Inc., d/b/a Leaps and Bounds Family Services, as of September 30, 2021 and 2020 and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

*UHY LLP*

Port Huron, Michigan  
January 14, 2022

**POVERTY AND SOCIAL REFORM INSTITUTE, INC. D/B/A  
LEAPS AND BOUNDS FAMILY SERVICES**

**STATEMENTS OF FINANCIAL POSITION  
SEPTEMBER 30, 2021 AND 2020**

|   | 2021                | 2020                |
|---|---------------------|---------------------|
| <b>ASSETS</b>                           |                     |                     |
| Cash and cash equivalents               | \$ 1,063,521        | \$ 480,116          |
| Receivables                             | 138,342             | 211,712             |
| Prepaid expenses                        | 13,548              | 13,290              |
| Investments                             | 100                 | 517,648             |
| Property and Equipment (net)            | 5,702               | 8,518               |
| <b>Total Assets</b>                     | <b>\$ 1,221,213</b> | <b>\$ 1,231,284</b> |
| <b>LIABILITIES AND NET ASSETS</b>       |                     |                     |
| <b>Liabilities:</b>                     |                     |                     |
| Current Liabilities -                   |                     |                     |
| Accounts payable                        | \$ 16,860           | \$ 6,396            |
| Accrued liabilities                     | 46,498              | 40,185              |
| Total Current Liabilities               | 63,358              | 46,581              |
| Non-current Liabilities -               |                     |                     |
| PPP Loan                                | -                   | 117,482             |
| Total Liabilities                       | 63,358              | 164,063             |
| <b>Net Assets:</b>                      |                     |                     |
| Without donor restrictions              | 1,157,855           | 1,067,221           |
| <b>Total Liabilities and Net Assets</b> | <b>\$ 1,221,213</b> | <b>\$ 1,231,284</b> |

The accompanying notes are an integral part of the financial statements.

**POVERTY AND SOCIAL REFORM INSTITUTE, INC. D/B/A  
LEAPS AND BOUNDS FAMILY SERVICES**

**STATEMENTS OF ACTIVITIES  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

|   | 2021         | 2020         |
|---|--------------|--------------|
| <b>Revenues, Gains, and Other Support:</b>  |              |              |
| Grants and contracts -                      |              |              |
| United Way                                  | \$ 664,980   | \$ 869,487   |
| Wayne RESA/Macomb ISD                       | 91,215       | 72,616       |
| Everybody Ready                             | 54,500       | 36,975       |
| ACCESS                                      | 18,114       | -            |
| Contributions                               | 14,545       | 35,161       |
| Special events revenue                      | 8,441        | 2,975        |
| Fees  | 5,880        | 8,175        |
| Investment return                           | 13,484       | 44,361       |
| PPP Loan principal and interest forgiveness | 38,434       | -            |
| Total Revenues, Gains, and Other Support    | 909,593      | 1,069,750    |
| <br><b>Expenses:</b>                        |              |              |
| Program services                            | 743,920      | 864,583      |
| Supporting services -                       |              |              |
| Management and general                      | 73,948       | 78,232       |
| Fundraising                                 | 1,091        | 178          |
| Total Expenses                              | 818,959      | 942,993      |
| <br>Change in Net Assets                    | 90,634       | 126,757      |
| <br>Net Assets at beginning of year         | 1,067,221    | 940,464      |
| <br>Net Assets at end of year               | \$ 1,157,855 | \$ 1,067,221 |

The accompanying notes are an integral part of the financial statements.

**POVERTY AND SOCIAL REFORM INSTITUTE, INC. D/B/A  
LEAPS AND BOUNDS FAMILY SERVICES**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

|                           | Program<br>Services | Supporting Services     |                 | Total             |
|---------------------------|---------------------|-------------------------|-----------------|-------------------|
|                           | Program             | Management<br>& General | Fundraising     |                   |
| Salaries                  | \$ 410,696          | \$ 17,846               | \$ -            | \$ 428,542        |
| Payroll taxes             | 32,589              | 1,329                   | -               | 33,918            |
| Employee benefits         | 79,698              | 1,564                   | -               | 81,262            |
|                           | <u>522,983</u>      | <u>20,739</u>           | <u>-</u>        | <u>543,722</u>    |
| Program contracts         | 90,025              | -                       | -               | 90,025            |
| Contracted services       | 47,445              | 45,050                  | -               | 92,495            |
| Rent                      | 42,583              | 2,746                   | -               | 45,329            |
| Supplies                  | 6,034               | 100                     | -               | 6,134             |
| Equipment/maintenance     | 10,027              | 58                      | -               | 10,085            |
| Postage and printing      | 1,551               | 92                      | -               | 1,643             |
| Telephone                 | 9,787               | 59                      | -               | 9,846             |
| Travel and transportation | 473                 | -                       | -               | 473               |
| Insurance                 | 7,257               | 381                     | -               | 7,638             |
| Staff development         | 3,999               | 125                     | -               | 4,124             |
| Special events            | -                   | -                       | 1,091           | 1,091             |
| Interest                  | 1,391               | -                       | -               | 1,391             |
| Miscellaneous             | 365                 | 1,782                   | -               | 2,147             |
|                           | <u>220,937</u>      | <u>50,393</u>           | <u>1,091</u>    | <u>272,421</u>    |
| Depreciation              | -                   | 2,816                   | -               | 2,816             |
| Total Functional Expenses | <u>\$ 743,920</u>   | <u>\$ 73,948</u>        | <u>\$ 1,091</u> | <u>\$ 818,959</u> |

The accompanying notes are an integral part of the financial statements.

**POVERTY AND SOCIAL REFORM INSTITUTE, INC. D/B/A  
LEAPS AND BOUNDS FAMILY SERVICES**

**STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

|                           | Program<br>Services | Supporting Services     |               | Total             |
|---------------------------|---------------------|-------------------------|---------------|-------------------|
|                           | Program             | Management<br>& General | Fundraising   |                   |
| Salaries                  | \$ 464,624          | \$ 23,445               | \$ -          | \$ 488,069        |
| Payroll taxes             | 35,100              | 1,729                   | -             | 36,829            |
| Employee benefits         | 87,905              | 1,483                   | -             | 89,388            |
|                           | <u>587,629</u>      | <u>26,657</u>           | <u>-</u>      | <u>614,286</u>    |
| Program contracts         | 106,405             | -                       | -             | 106,405           |
| Contracted services       | 68,447              | 44,100                  | -             | 112,547           |
| Rent                      | 52,871              | 2,511                   | -             | 55,382            |
| Supplies                  | 14,934              | 226                     | -             | 15,160            |
| Equipment/maintenance     | 3,621               | 35                      | -             | 3,656             |
| Postage and printing      | 1,229               | -                       | -             | 1,229             |
| Telephone                 | 10,157              | 73                      | -             | 10,230            |
| Travel and transportation | 4,950               | 165                     | -             | 5,115             |
| Insurance                 | 8,828               | 354                     | -             | 9,182             |
| Staff development         | 3,737               | 446                     | -             | 4,183             |
| Special events            | -                   | -                       | 178           | 178               |
| Miscellaneous             | 1,775               | 930                     | -             | 2,705             |
|                           | <u>276,954</u>      | <u>48,840</u>           | <u>178</u>    | <u>325,972</u>    |
| Depreciation              | <u>-</u>            | <u>2,735</u>            | <u>-</u>      | <u>2,735</u>      |
| Total Functional Expenses | <u>\$ 864,583</u>   | <u>\$ 78,232</u>        | <u>\$ 178</u> | <u>\$ 942,993</u> |

The accompanying notes are an integral part of the financial statements.



**POVERTY AND SOCIAL REFORM INSTITUTE, INC. D/B/A  
LEAPS AND BOUNDS FAMILY SERVICES**

**STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED SEPTEMBER 30, 2021 AND 2020**

|   | 2021         | 2020       |
|---|--------------|------------|
| <b>Cash Flows from Operating Activities:</b>  |              |            |
| Change in net assets  | \$ 90,634    | \$ 126,757 |
| Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities - |              |            |
| Depreciation  | 2,816        | 2,735      |
| Realized and unrealized (gains) losses on investments   | 62           | ( 38,602)  |
| PPP Loan forgiveness  | ( 37,995)    | -          |
| Change in assets and liabilities:   |              |            |
| Receivables   | 73,370       | ( 136,117) |
| Prepaid expenses  | ( 258)       | ( 3,745)   |
| Accounts payable  | 10,464       | ( 7,096)   |
| Accrued liabilities   | 6,313        | 13,760     |
| Deferred revenue  | -            | ( 19,403)  |
|   | 145,406      | ( 61,711)  |
| Net Cash Provided by (Used for) Operating Activities  |              |            |
| <b>Cash Flows from Investing Activities:</b>  |              |            |
| Sale (purchase) of investments  | 517,486      | ( 6,061)   |
| Acquisition of fixed assets   | -            | ( 1,937)   |
|   | 517,486      | ( 7,998)   |
| Net Cash Provided by (Used for) Investing Activities  |              |            |
| <b>Cash Flows from Financing Activities:</b>  |              |            |
| Loan proceeds   | -            | 117,482    |
| Principal payments on loans   | ( 79,487)    | -          |
|   | ( 79,487)    | 117,482    |
| Net Cash Provided (Used) by Financing Activities  |              |            |
| Net increase in cash and cash equivalents   | 583,405      | 47,773     |
| Cash and Cash Equivalents at beginning of year  | 480,116      | 432,343    |
| Cash and Cash Equivalents at end of year  | \$ 1,063,521 | \$ 480,116 |
| <b>Non-Cash Financing Activities:</b>   |              |            |
| PPP Loan Forgiveness  | \$ 37,995    | \$ -       |

The accompanying notes are an integral part of the financial statements.

**POVERTY AND SOCIAL REFORM INSTITUTE, INC.**  
**d/b/a LEAPS AND BOUNDS FAMILY SERVICES**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**DESCRIPTION OF ORGANIZATION:**

Poverty and Social Reform Institute, Inc. (the "Institute"), doing business as Leaps and Bounds Family Services, is a not-for-profit corporation whose revenue is derived principally from grants (primarily from United Way) and private contributions. The primary purpose of the Institute is to focus on creative and collaborative action on the health, education, social, and economic needs of children and families living in poverty.

The Institute provides support to high-risk children and parents through a variety of services to carry out its mission. These services include parenting seminars, early child development services, literacy events, and home visits. Services are designed for low-income and high-risk families in the metro-Detroit area. The Institute also serves childcare providers through training and professional development.

**SIGNIFICANT ACCOUNTING POLICIES:**

The Institute's accounting policies conform to accounting principles generally accepted in the United States of America. The following is a summary of policies that are considered significant to this organization.

**Basis of Accounting** - The financial statements of the Institute are reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for nonprofit organizations.

**Basis of Presentation** - Financial statement presentation follows the requirements of the Financial Accounting Standards Board in its Accounting Standards Codification (ASC) Statement 958, *Financial Statements of Not-for-Profit Organizations*. In accordance with ASC 958, net assets and changes therein are classified and reported as follows:

*Net assets without donor restrictions* - Net assets that are not subject to donor-imposed restrictions and may be expended for any purpose in performing the primary objective of the Institute. These net assets may be used at the discretion of management.

*Net assets with donor restrictions* - Net assets subject to donor-imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donors. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

**Cash and Cash Equivalents** - Cash and cash equivalents consist primarily of checking and money market accounts and cash deposits. Cash equivalents are considered to have original maturities of ninety days or less.

**Investments** - The Institute reports its investments in accordance with generally accepted accounting principles for not-for-profit organizations, which establish accounting standards for investments in certain equity securities and for all debt securities. The guidance prescribes that covered investments be reported in the statement of financial position at fair value with any realized or unrealized gains or losses reported in the statement of activities. Investments are composed of cash held by the investment company and mutual funds carried at fair value.

**POVERTY AND SOCIAL REFORM INSTITUTE, INC.**  
**d/b/a LEAPS AND BOUNDS FAMILY SERVICES**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

Investment income is recognized as revenue in the period it is earned and gains and losses are recognized as changes in net assets in the accounting period in which they occur.

**Fair Value Measurements** - ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value, and requires certain disclosures about fair value measurements. The Institute accounts for certain investments at fair value.

**Prepaid Expenses** - Prepaid expenses consist of insurance and certain expenses paid for in advance and recorded as an asset before they are used or consumed.

**Property and Equipment** - Property and equipment consists of leasehold improvements, furniture and equipment, and computer equipment and are recorded at cost at the date of purchase or at estimated fair market value at the date of donation. Major additions are capitalized, while maintenance and repairs, which do not improve or extend the life of the respective assets, are expensed currently. Gains or losses from disposals are included in earnings. Depreciation is computed on the straight-line method over the estimated useful lives of the assets.

The estimated useful lives of the assets are as follows:

|                         |           |
|-------------------------|-----------|
| Leasehold improvements  | 10 years  |
| Furniture and equipment | 5 years   |
| Computer equipment      | 3-5 years |

**Contributions** - Contributions that are restricted by the donor are reported as increases in net assets without restrictions if the restrictions expire (that is, when a stipulated time restriction ends or purpose restriction is accomplished) in the reporting period in which the revenue is recognized. All other donor-restricted contributions are reported as increases in net assets with restrictions. When a restriction expires, net assets with restrictions are reclassified to net assets without restrictions and are reported in the statement of activities as net assets released from restrictions.

**Revenue Recognition** - Grants and contributions are recognized when cash, securities, or other assets, or an unconditional promise to give is received. Special event revenue is recognized upon completion of the event. Fees are recognized upon completion of the class to which the fee pertained. Other revenues are recognized when received.

**Cost Allocation and Functional Expenses** - Directly identifiable expenses are charged directly to program and/or supporting services. Expenses related to more than one function are charged to the program and supporting services on the basis of periodic time and expense studies. Management and general expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Institute.

**Income Taxes** - The Institute is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**POVERTY AND SOCIAL REFORM INSTITUTE, INC.**  
**d/b/a LEAPS AND BOUNDS FAMILY SERVICES**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 1 - NATURE OF BUSINESS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):**

**Estimates** - In preparing the financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

As discussed in Note 8, the Institute obtained a loan from the Paycheck Protection Program (PPP). According to the rules of the Small Business Administration (SBA), the Institute is required to retain PPP loan documentation for six years after the date the loan is forgiven or repaid in full and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Institute's judgments pertaining to satisfying PPP loan eligibility or forgiveness conditions, the Institute may be required to adjust previously reported amounts and disclosures in the financial statements.

**Subsequent Events** - In preparing these financial statements, the Institute has evaluated events and transactions for potential recognition or disclosure through January 14, 2022, the date the financial statements were available to be issued.

**Upcoming Accounting Pronouncement** - The Financial Accounting Standards Board (FASB) issued the following standard that could have an impact on future financial statements when adopted. The Institute is currently evaluating the implications of this standard.

In February 2016, FASB issued a new accounting standard, Accounting Standard Update 2016-02, *Leases* (Topic 842), intended to improve financial reporting of leasing transactions. Under the new guidance, a lessee will be required to recognize assets and liabilities for leases with lease terms of more than 12 months. Consistent with current Generally Accepted Accounting Principles (GAAP), the recognition, measurement, and presentation of expenses and cash flows arising from a lease by a lessee will primarily depend on its classification as a finance or operating lease. However, unlike current GAAP which requires only capital leases to be recognized on the balance sheet, the new standard will require both types of leases to be recognized on the balance sheet. The standard also requires disclosures to help financial statement users better understand the amount, timing, and uncertainty of cash flows from leases. The amendments in this standard have been delayed by FASB and are effective for the Institute's financial statements for the year ending September 30, 2023.

**POVERTY AND SOCIAL REFORM INSTITUTE, INC.**  
**d/b/a LEAPS AND BOUNDS FAMILY SERVICES**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 2 - LIQUIDITY AND AVAILABILITY OF RESOURCES:**

Financial assets available for general expenditures (that is, without donor or other restrictions limiting their use) within one year of the financial position date is composed of the following:

|                           | 2021         | 2020         |
|---------------------------|--------------|--------------|
| Cash and cash equivalents | \$ 1,063,521 | \$ 480,116   |
| Receivable                | 138,342      | 211,712      |
| Investments               | 100          | 517,648      |
|                           | \$ 1,201,963 | \$ 1,209,476 |

**NOTE 3 - RECEIVABLES:**

Receivables consist of the following at September 30:

|  | 2021       | 2020       |
|--|------------|------------|
| United Way                                 | \$ 97,214  | \$ 199,796 |
| Macomb Intermediate School District        | 1,700      | 875        |
| Wayne Regional Educational Services Agency | 7,576      | 5,641      |
| Wayne County - Everybody Ready             | 9,919      | 5,400      |
| ACCESS                                     | 18,114     | -          |
| Priority Health                            | 3,819      | -          |
|  | \$ 138,342 | \$ 211,712 |

**NOTE 4 - INVESTMENTS:**

Investments at September 30 consist of the following:

|                                  | 2021   | 2020       |
|----------------------------------|--------|------------|
| Cash Held by Investment Company  | \$ 100 | \$ 19,130  |
| Mutual Funds:                    |        |            |
| Guggenheim Total Return Bond     | -      | 233,057    |
| Guggenheim Investment Grade Bond | -      | 265,461    |
|                                  | \$ 100 | \$ 517,648 |

Investment return consists of the following:

|  |           |           |
|--|-----------|-----------|
| Interest, Dividends, and Capital Gains             | \$ 19,350 | \$ 11,580 |
| Realized & Unrealized Gains(Losses) on Investments | ( 62)     | 38,602    |
| Less: Fees   | ( 5,804)  | ( 5,821)  |
|  | \$ 13,484 | \$ 44,361 |

**POVERTY AND SOCIAL REFORM INSTITUTE, INC.**  
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**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 4 - INVESTMENTS - (cont'd):**

In accordance with ASC 820, the Institute uses fair value measurements to record adjustments to certain assets. The ASC 820 defines fair value as “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.” The Codification also sets out a fair value hierarchy ranking the levels of the inputs used as assumptions in the valuation techniques used to value an asset or liability. The fair value hierarchy gives the highest priority to quoted prices in an active market for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of hierarchy are described as follows:

Level 1 - Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that are accessible at the measurement date. An active market is a market in which transactions of the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Level 2 inputs are from other than quoted market prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. These inputs include quoted market prices of similar assets or liabilities in active markets, quoted market prices for identical or similar assets or liabilities in markets that are not active, and pricing models developed principally from inputs from or corroborated by observable market data by correlation or other means.

Level 3 - Level 3 inputs are unobservable and allowed in situations where there is little, if any, market activity for the asset or liability at the measurement date. These inputs reflect the reporting entity’s own assumptions about assumptions that would be used by market participants.

The Institute’s valuation of the investments at September 30, 2020 is determined by quoted prices in active markets for identical assets (or Level 1 inputs as defined by ASC 820). Investments were sold during 2021.

**NOTE 5 - CONCENTRATIONS:**

**Credit Risk -**

The Institute is required to disclose significant concentrations of credit risk regardless of the degree of such risk. Financial instruments, which potentially subject the Institute to concentrations of significant credit risk, consist principally of cash equivalents, and contributions, contracts, and grants receivable. The Institute’s cash and cash equivalents are deposited with high-credit-quality financial institutions. The Institute had deposits with a bank balance of \$1,079,934 and \$499,114 at September 30, 2021 and 2020, respectively. As of September 30, 2021, \$250,000 is insured by depository insurance with the remaining \$829,934 uninsured and uncollateralized. At September 30, 2020, \$250,000 was insured by depository insurance with the remaining \$249,114 uninsured and uncollateralized.

Contracts and grant receivables consist principally of amounts due from the United Way and governmental and nonprofit entities. These receivables are considered to be subject to minimal risk. All receivables are typically collected within one year.

**POVERTY AND SOCIAL REFORM INSTITUTE, INC.**  
**d/b/a LEAPS AND BOUNDS FAMILY SERVICES**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 5 - CONCENTRATIONS - (cont'd):**

**Receivables -**

At September 30, 2021, approximately 70% of the Institute's total receivable was due from the United Way. At September 30, 2020, approximately 94% of the Institute's total receivable was due from the United Way.

**Revenues -**

During the fiscal years ended September 30, 2021 and 2020, approximately 73% and 81%, respectively, of the Institute's total revenue and support was received from the United Way.

**NOTE 6 - PROPERTY AND EQUIPMENT:**

The components of property and equipment at September 30 are as follows:

|                                | 2021      | 2020      |
|--------------------------------|-----------|-----------|
| Furniture and equipment        | \$ 16,070 | 16,070    |
| Computer equipment             | 27,383    | 28,332    |
| Leasehold improvements         | 12,295    | 12,295    |
|                                | 55,748    | 56,697    |
| Less: accumulated depreciation | ( 50,046) | ( 48,179) |
| Net property and equipment     | \$ 5,702  | \$ 8,518  |

Depreciation expense for the years ended September 30, 2021 and 2020 was \$2,816 and \$2,735, respectively.

**NOTE 7 - LEASES:**

The Institute leases office and program space under two operating lease agreements. The minimum required lease payment is \$14,850, as the Institute can cancel the lease with a six-month written notice. The lease agreement was renewed and extends to September 30, 2021.

The Institute began leasing additional classrooms with monthly payments of \$1,250. The Institute can cancel the lease at any time with written notice.

Rent expense for the years ended September 30, 2021 and 2020 was \$45,329 and \$55,382, respectively.

**NOTE 8 - THE PAYCHECK PROTECTION PROGRAM (PPP) LOAN:**

On May 4, 2020, the Institute entered into a U.S. Small Business Administration (SBA) PPP Loan in the principal amount of \$117,482 payable to Credit Union ONE evidencing a PPP Loan from Credit Union ONE. The PPP Loan will bear interest at a rate of 1.0% per annum. No payments were due on the PPP Loan until December 4, 2020. The maturity date is May 4, 2022.

**POVERTY AND SOCIAL REFORM INSTITUTE, INC.**  
**d/b/a LEAPS AND BOUNDS FAMILY SERVICES**

**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2021 AND 2020**

**NOTE 8 - THE PAYCHECK PROTECTION PROGRAM (PPP) LOAN - (cont'd):**

The principal amount of the PPP Loan was subject to forgiveness by Credit Union ONE through the SBA under the PPP upon the Institute's request to the extent that PPP Loan proceeds were used to pay expense permitted by the PPP, including payroll, rent, and utilities. Credit Union ONE has forgiven interest accrued on principal forgiven. During 2021, \$38,434 of the loan and interest was forgiven, while \$80,439 was paid in July 2021.

According to the rules of the SBA, the Institute is required to retain PPP Loan documentation for six years after the date the PPP Loan is forgiven or repaid in full and permit authorized representatives of the SBA, including representatives of its Office of Inspector General, to access such files upon request. Should the SBA conduct such a review and reject all or some of the Institute's judgements pertaining to satisfying PPP Loan eligibility or forgiveness conditions, the Institute may be required to adjust previously reported amounts and disclosures in the financial statements.

**NOTE 9 - RETIREMENT PLAN:**

The Institute has a 401(k) Plan for the benefit of substantially all employees. The Institute will match 75% of employee contributions up to 6% of employee compensation. The Institute's contributions were \$10,438 and \$11,415 for the years ended September 30, 2021 and 2020, respectively.

**NOTE 10 - CONTINGENT LIABILITY:**

In the normal course of operation, the Institute participates in various federal, state, and/or local grant/contract programs from year to year. The grant/contract programs are often subject to additional audits by agents of the granting or contracting agency, the purpose of which is to ensure compliance with the specific conditions of the grant/contract programs. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although management believes that amount, if any, would not be material.

**NOTE 11 - COVID:**

Towards the end of December 2019, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. There have been mandates from federal, state, and local authorities requiring forced closures of non-essential businesses and stay-at-home orders for most states, including Michigan, for parts of 2020. It is not possible to estimate the length or severity of this outbreak or the total financial impact it will have on the Institute.